Supreme Court, U.S.
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NO. 88-692

IN THE
SUPREME COURT OF THE UNITED STATES

TERM COMMENCING OCTOBER 3, 1988

ROGER TEETER AND JENNIFER TEETER
D/B/A SKY'S THE LIMIT,
PETITIONER.

VS.

GRAVITY GUIDANCE, INC.,
RESPONDENT.

PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF OF PETITIONERS

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SUPPLEMENTAL STATEMENT OF THE CASE

The District Court for the Western District of Washington at Tacoma rendered a judgment in this case on December 8, 1988 (APPENDIX I).

The Judgment

The judgment summary (APPENDIX I, p. 1 APP) included treble damages of $2,057,802.00 plus $428,768.00 interest, equaling $2,486,570.00 -- almost 2-1/2 million dollars -- plus attorney's fees.

Significance of the Damages Judgment to this Petition

Finding 5 of the damages Judgment (APPENDIX I, p. 5 APP) referred to the previous Order dated

June 10, 1986 (Petition APPENDIX A)

as:

> . . . holding that defendants infringed the patent-in-suit and that such infringement was willful . . . .

whereas such previous Order stated:

> 2. Defendants did not literally infringe upon Plaintiff's patent rights.
>
> 3. Under the Doctrine of Equivalents, Defendants infringed upon the patent rights of Plaintiff.
>
> 4. The infringement of Defendants was willful.

Thus, the Court recognized that Teeter did not copy the structure of the Gravity Guidance leg holder, but implied that "under the doctrine of equivalents", the differences between Teeter's construction and the construction of Gravity Guidance would be obvious to a person skilled in the art.

The ruling that Teeter's infringement was "willful and deliberate" (Findings 5 and 24) and trebling of the actual damages under 35 U.S.C. § 284 indicates the Court's opinion that Teeter knew such differences of Teeter over Gravity Guidance were obvious equivalents. Nevertheless, both the District Court and the Court of Appeals for the Federal Circuit failed to consider that similar differences between the prior art Gibson patent and the Gravity Guidance leg holder were obvious under 35 U.S.C. § 103.

Such disregard of the prior art in determining the question of infringement on the basis of the doctrine of equivalents is improper. Carman Industries, Inc. v. Wahl et

al., 724 F.2d 932, 220 USPQ 481 (Fed. Cir. 1983) refers to the decision of the District Court judge as follows (emphasis supplied--USPQ page 484, middle column 2):

> He found that the patent is not literally infringed but that the accused infringing device is the legal equivalent of the invention. He also found that, under the proposed construction of the claims under the doctrine of equivalents the claims would be valid . . . .

and further stated (emphasis supplied--USPQ page 489, middle column 1):

> Once it is determined that the doctrine of equivalents is applicable, a finding of infringement is not certain. The doctrine of equivalents is subject to two types of limitation[s] which may prevent a finding of infringement . . . (2) invalidity of the claims according to the proposed construction in view of the prior art. . . .
>
> The court below, in an exhaustive analysis, examined the proposed construction of

> the claims under the doctrine of equivalents to determine whether such construction would invalidate the claims under section 102 or 103.

In the present case, neither the District Court nor the majority of the Court of Appeals panel expounded a "proposed construction of the claims", or considered whether the claims would be invalid under 35 U.S.C. § 103.

Supreme Court Exposition on
The Doctrine of Equivalents

In Graver Tank & Mfg. Co., Inc., et al. v. The Linde Air Products Company, 339 US 605, 85 USPQ 328 (Sup. Ct. 1950), the Supreme Court stated (emphasis supplied--USPQ page 330, middle of column 1):

> In determining whether an accused device or composition infringes a valid patent,

> resort must be had in the first instance to the words of the claim. If accused matter falls clearly within the claim, infringement is made out and that is the end of it.

Neither the District Court nor the Court of Appeals for the Federal Circuit made any reference to the "words of the claim". The Court continued:

> But courts have also recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. Such a limitation would leave room for--indeed encourage--the unscrupulous copyist to make unimportant and insubstantial changes and substitutions in the patent which, though adding nothing, would be enough to take the copied matter outside the claim, and hence outside the reach of law.

The Court then explained how the "doctrine of equivalents" was to be

applied (emphasis supplied--USPQ 330, bottom of column 2):

> What constitutes equivalency must be determined against the context of the patent, the prior art, and the particular circumstances of the case.

In the present case, neither the District Court nor the Court of Appeals determined the issue of "equivalency" with respect to the prior art under 35 U.S.C. § 103.

Stating the matter in another way, as a person skilled in the art Teeter was expected to know that the differences between his construction and that of Gravity Guidance were "obvious", but both the District Court and the Court of Appeals completely disregarded the other side of the coin as to the obviousness of the differences between the Gibson prior

art patent (Petition APPENDIX H), which is very similar to the Teeter leg holder construction, and Gravity Guidance under 35 U.S.C.§ 103.

Procedure Recommended
By Supreme Court
Not Followed by Court of
Appeals for the Federal Circuit

Thomas & Betts Corporation v. Litton Systems, Inc., 720 F.2d 1572, 220 USPQ 1 (Fed. Cir. 1983), recognized and paid tribute to the above-quoted Graver Tank pronouncement (USPQ page 6, middle of column 1) and then continued (emphasis partially supplied):

> In other words, the test of equivalency extends beyond what is literally stated in a patentee's specification to be equivalent and encompasses any element which one of ordinary skill in the art would perceive as interchangeable with the claimed element.

The same "obviousness" test should be used both in applying the doctrine of equivalents and in applying 35 U.S.C. § 103 as to prior art.

Here both courts applied the "doctrine of equivalents" in determining infringement, but neglected to apply the "obviousness" test under section 35 U.S.C. § 103 to the question of validity.

Test Summarized by the Supreme Court

That the same test should be applied on the question of validity as on the question of infringement was stated succinctly by the United States Supreme Court many years ago in Knapp v. Morss, 150 US 221 (Sup. Ct. 1893) at page 228 (emphasis supplied):

> There is another test as to the validity of the second

> claim. If the Balch, Everett, Wilson, or Ferris patents, or even the umbrella, were subsequent in date to that of the Hall patent, they would constitute an infringement thereof, for the rule is well established that "that which infringes, if later, would anticipate if earlier."

Paraphrasing the rule:

> That which infringes under the doctrine of equivalents, if later, would invalidate the patent for obviousness under 35 U.S.C. § 103 if earlier.

If the District Court and the Court of Appeals had applied the test of "obviousness" to the differences between the prior art Gibson patent and the Gravity Guidance device as the District Court presumably did with respect to the differences between the Teeter device and the Gravity Guidance device in holding that the damages awarded to Gravity Guidance should be trebled, undoubtedly the Gravity

Guidance patent would have been held to be invalid because the Teeter leg holder is very similar to the prior art leg holder of the Gibson patent.

Miscarriage of Justice

To allow the District Court and the Court of Appeals to hold that Teeter has infringed the patent rights of Gravity Guidance on the basis of the doctrine of equivalents and not to apply the "obviousness" test of 35 U.S.C. § 103 and the decisions of the Supreme Court as to the prior art constitutes a miscarriage of justice.

Such miscarriage of justice is compounded by the ruling of the District Court's damages Judgment that Teeter's utilization of prior art equivalents constituted obvious

willful and deliberate infringement to such an extent as to inflict on Teeter the punishment of trebled damages.

Teeter's only recourse for a remedy of such lopsided administration of "justice" is to this Court.

DATED this 27th day of December, 1988.

Respectfully submitted,

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ENTERED ON
DEC 8, 1988
By Deputy /s/

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

JUDGMENT IN A CIVIL CASE

GRAVITY GUIDANCE, INC.	)	
	)	
v.	)	Case
	)	Number:
ROGER TEETER and	)	C83-824T
JENNIFER TEETER, d/b/a	)	
SKY'S THE LIMIT	)	
	)	

XX Decision by Court. This action came to hearing before the Court. The issues have been heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED

Plaintiff is entitled to actual damages, when trebled, in the amount of $2,057,802.00. Plaintiff is entitled to prejudgment interest on any damage award from the date of first infringement. Total prejudgment interest is $428,768.00. Attorney's

fees and costs shall be granted to plaintiff.

Date 12/8/88 Clerk Bruce Rifkin

By Deputy Clerk /s/

ENTERED ON
DEC 8, 1988
By Deputy /s/

IN THE UNITED STATES
DISTRICT COURT
FOR THE WESTERN DISTRICT
OF WASHINGTON
AT TACOMA

GRAVITY GUIDANCE, INC.,	)	
	)	
Plaintiff,	)	No.
	)	C83-824T
vs.	)	
	)	
ROGER TEETER and	)	
JENNIFER TEETER, d/b/a	)	
SKY'S THE LIMIT,	)	
	)	
Defendant.	)	
	)	

FINDINGS OF FACT
AND
CONCLUSIONS OF LAW

THIS MATTER having come on before the above-entitled Court, the Court now makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. This Court has jurisdiction over the subject matter and the

parties herein, by reason of Title 28 U.S.C. §1331 and §1338. Venue is proper under U.S.C. §1400.

2. This action was originally filed December 2, 1983, in three Counts; Count I for patent infringement of the patent-in-suit; U.S. Letters Patent 3,380,447; and Counts II and III for violations of 15 U.S.C. §1125(a) and common law trademark infringement. Defendants answered denying the complaint and asking for a declaratory judgment of non-infringement under the three counts of the complaint.

3. Plaintiff filed a motion for summary judgment on Count I for patent infringement and willful and deliberate patent infringement.

4. Defendants filed a motion for summary judgment for invalidity of the patent-in-suit.

5. By order of June 10, 1986, this Court granted Plaintiff's Motion for Summary Judgment, holding that defendants infringed the patent-in-suit and that such infringement was willful; denying Defendant's Motion for Summary Judgment; and holding that the patent-in-suit was valid as against all defenses presented by the defendants.

6. Counts II and III, and the portion of the counterclaim pertaining to the defendants' unlawful use of the plaintiff's trademark "Gravity Boots", were ordered voluntarily dismissed.

7. By order dated October 27, 1987, the Court found that the case

was final except for an accounting for damages, and that under 28 U.S.C. §1292(c)(2), the judgment of infringement, willful infringement, and validity was a final judgment and appealable.

8. Defendants did appeal the final judgment of liability and the determination of the amount of damages was ordered stayed until conclusion of the appeal.

9. By judgment and mandate dated August 4, 1988, the United States Court of Appeals for the Federal Circuit affirmed this Court's finding of infringement, willfulness of infringement and validity.

10. Defendants filed various motions to have that decision reconsidered or reheard, all of which

were finally denied by August 11, 1988.

11. Upon motion of the plaintiff, this Court lifted the stay as to the determination of damages, and a hearing on damages based on briefs and submissions of the parties and upon oral testimony and cross-examination, held on September 30, 1988.

12. The plaintiff lost profits it was entitled to on the share of defendants' sales, which plaintiff would have made in reasonable probability, but for the defendants' infringements.

13. Plaintiff was making $42.10 profit per pair of ankle holders prior to defendants' infringement. Defendants' infringement lowered what would have been plaintiff's 100%

market share to 82%. The other 18% was infringement sales.

14. The Teeters sold at least 8,318 pairs of infringing ankle-holders between July 1982 and April 1985. Based on a profit of $42.10 per pair, Gravity Guidance suffered lost profit damages on 82% of defendants' sales. The 82% of defendants' sales of 8,318 pairs is 6,821 pairs. Based on a profit of $42.10 per pair, Gravity Guidance was damaged in the amount of $287,164.00 lost profits.

15. Gravity Guidance also suffered reduced profits. Gravity Guidance's pre-infringement average profit margin was $42.10 per pair.

16. The defendants' infringement on plaintiff's patent and market, wrongfully forced plaintiff to reduce

the wholesale price of its ankle holders from $42.10 per pair to $28.00 per pair, a reduction of $14.10 per pair. As a result, plaintiff was shortchanged profits it could have made if the defendants and other infringers had not violated plaintiff's patent.

17. Gravity Guidance sold 278,288 pair of ankle holders during the defendants' infringing period of August 1982 to April 1985, and held 82% of the market. The infringers market share of 18% represented 83,318 pairs of ankle holders. The Teeters sales of 8,318 pairs represented 9.4% of the 18% of the market not attributable to Gravity Guidance.

18. Gravity Guidance's gross reduced profits for that period is

equal to total plaintiff's sales times reduced profits of $14.10 per pair, or $3,923,861.00.

19. Reduced profits damages attributable to the Teeters is 9.4% of the gross reduced profits to Gravity Guidance. Gravity Guidance is entitled to $368,843.00 in reduced profits.

20. Those remaining 18% of Teeter's sales not attributable to lost or reduced profits are unauthorized infringements and recoverable. The measure of damages for those infringements not attributable to lost profits or reduced profits is a reasonable royalty for each infringement.

21. A reasonable royalty is arrived at by multiplying the number of pairs

sold times a reasonable royalty. The 18% of Teeters' infringing sales equals 1,497 pair of ankle holders.

22. The sum of $20.00 per pair was determined to be a reasonable royalty based on what Gravity Guidance could have charged a licensee. The reasonable royalty to which Gravity Guidance is entitled to for the remaining 18% of the Teeter's infringing sales is $29,940.00 (1,497 x $20.00).

23. Teeters failure to adequately investigate the scope of Gravity Guidances patent prior to beginning manufacture use or sale is evidence of Teeters willful and deliberate infringement of Gravity Guidance's Patents.

24. Teeters willful and deliberate infringement of Gravity Guidance's patent in-suit supports the trebling of actual damages.

25. Gravity Guidance suffered total actual damages in the amount of $685,947.00. When trebled, that amount comes to $2,057,841.00.

26. Gravity Guidance is entitled to prejudgment interest commencing from the date of Teeter's first infringement.

27. Gravity Guidance and/or PMD Corporation borrowed money at 1-1/2% above the prime rate average for the period 1982-1985.

28. Total prejudgment interest is $428,768.00, allocated as follows:

Lost profits:	$ 180,152.00
Reduced profits:	$ 231,358.00
Reasonable royalty:	$ 17,258.00
TOTAL:	$ 428,768.00

FROM THE FOREGOING FINDINGS OF FACT, THE COURT NOW MAKES THE FOLLOWING:

CONCLUSIONS OF LAW

1. Insofar as any of the preceding Findings of Fact constitute Conclusions of Law, they are hereby adopted as such.

2. The Court has jurisdiction over the subject matter and the parties herein by reason of Title 28 U.s.C. §1331 and §1338. Venue is proper under U.S.C. §1400.

3. Defendants infringed the patent-in-suit.

4. Defendants made, used, or sold its ankle holders within the United States during the term of the patent.

5. Damages, prejudgment interest, costs, and the award of attorneys fees

are governed by 37 U.S.C. §284 and §285 in patent cases.

6. Plaintiff is entitled to lost profits, reduced profits, and a hypothetical reasonable royalty on Teeter's sales not attributable to lost or reduced profits.

7. Plaintiff is entitled to $287,164.00 in lost profits.

8. Plaintiff is entitled to $368,843.00 in reduced profits.

9. Plaintiff is entitled to a reasonable royalty in the sum of $29,940.00.

10. Defendants' infringement was willful and deliberate.

11. Defendants' willful and deliberate conduct regarding the patent-in-suit make this an exceptional case under 35 U.S.C. §285

and damages shall be trebled under 35 U.S.C. §284. Actual damages, when trebled, amount to $2,057,802.00.

12. Plaintiff is entitled to prejudgment interest on any damage award from the date of first infringement. Total prejudgment interest is $428,678.00.

13. Attorney's fees and costs shall be granted to plaintiffs under 35 U.S.C. §285.

DATED at Tacoma, Washington this 8th day of December, 1988.

/s/ Jack E. Tanner
UNITED STATES DISTRICT JUDGE